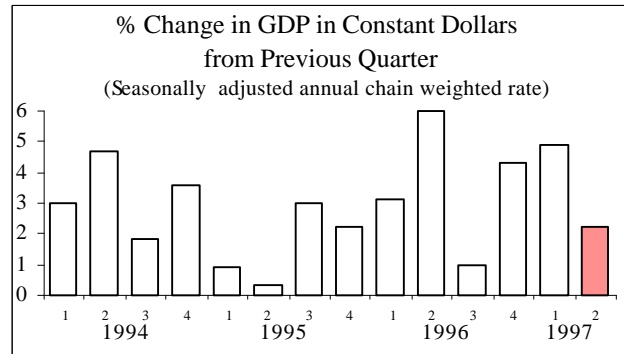
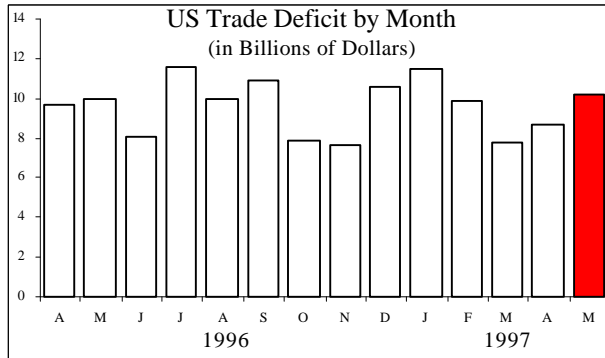


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TRADE DEFICIT INCREASES IN MAY

The Commerce Department reported that the trade deficit in goods and services increased 17% in May to \$10.2 billion, the largest deficit since January. The increase was driven by the fact that imports increased at an annual rate of 21.8% (the fastest import growth in 13 years), while exports increased only by an annual rate of 14.4%. The strong dollar contributed to this result, which in turn had an impact on the growth in GDP.

GDP GROWTH DROPS IN SECOND QUARTER

The Commerce Department reported that the Gross Domestic Product grew at an annual rate of 2.2% in the second quarter of 1997, substantially less than the 4.9% growth rate experienced in the first quarter. The slower growth is attributed to weak growth in consumer spending, a slowing in the accumulation of inventories, and deterioration in the trade balance. The slowdown arrived just in time to keep the economy from overheating and inflation from worsening.

CONSUMER PRICES RISE 0.1% IN JUNE

The Labor Department reported that the seasonally adjusted consumer price index rose 0.1% in June, the fourth consecutive month of minimal increases. It also reported that in the first half of 1997 consumer prices rose at a seasonally adjusted annual rate of 1.4%, the lowest first half rate since 1965 and much lower than the 2.6% rate for all of 1996. Much of the low inflation resulted from stable food prices and declining energy prices. Excluding these two volatile categories, first half inflation was 2.4%.

CHINA'S GDP SHOWS STRONG GROWTH

The Chinese government reported that China's Gross Domestic Product grew at an annualized rate of 9.5% in the first half of 1997. Though this rate of growth is very strong, it is part of a trend of declining Chinese growth rates. A 12% growth in consumer spending and a 26% growth in exports were major contributors to this result. In addition, measures taken by the government to reign in inflation have been successful.

RUSSIA TO SELL OFF STATE COMPANIES TO PAY BACK WAGES

The Russian Finance Minister has announced that the Russian Federal Government would sell off state owned companies in order to pay back \$1.3 billion in unpaid wages and to assist regional governments in repaying \$4.3 billion in back wages. Companies in the process of being sold to the private sector include a major telecommunications company, and several oil companies. The Finance Minister said that the government would also cut spending, increase tax collections, and reduce its payroll, to help finance the repayments.

FUEL PRICES (dollars/bbl) AND EXCHANGE RATES (foreign units/US dollars)

	<u>July 25</u>	<u>July 18</u>		<u>July 25</u>	<u>July 18</u>
Crude Oil (Foreign)	16.66	16.70	DM (Germany)	1.83	1.80
Crude Oil (Domestic)	19.65	19.28	Yen (Japan)	116.3	115.8
Pound (UK)	0.600	0.599	Peso (Mexico)	7.81	7.89
Ruble (CIS)	5799	5788	Won (S. Korea)	892	895